

Message Text

PAGE 01 STATE 159418

64

ORIGIN OPIC-06

INFO OCT-01 ARA-10 ISO-00 EB-07 L-03 TRSE-00 AID-05 COME-00

/032 R

DRAFTED BY OPIC/ID/LA:BT MANSBACH:DH

APPROVED BY EB/IFD/OIA:RJ SMITH

ARA/APU:AEBRAZEAL

EB/IFD/OIA:DHSTEBBING

----- 081894

R 072159Z JUL 75

FM SECSTATE WASHDC

TO AMEMBASSY MONTEVIDEO

UNCLAS STATE 159418

E.O. 11652: N/A

TAGS: EINV, HA

SUBJECT: OPIC INSURANCE - EAGLE LOCK AND BANK OF BOSTON

RE: MONTEVIDEO 1991

1. EAGLE LOCK - COMPANY'S ATTORNEYS HAVE BEEN CLEARLY ADVISED THAT REGISTRATION OF INVESTMENT BY OPIC SIMPLY PRESERVES A COMPANY'S RIGHT TO NEGOTIATE AN INSURANCE CONTRACT WITH OPIC AFTER AN INVESTMENT HAS BEEN MADE OR COMMITTED, BUT INVOLVES NO COMMITMENT ON THE PART OF OPIC TO ISSUE INSURANCE AND NO APPROVAL BY OPIC OR ANY OTHER USG ENTITY OF THE INVESTOR, THE PROJECT OR THE INVESTMENT. REGISTRATIONS ARE ISSUED ON THE BASIS OF BRIEF AND VERY PRELIMINARY INFORMATION FROM INVESTOR. EMBASSY SHOULD FEEL FREE TO SO ADVISE GOU.

2. FIRST NATIONAL BANK OF BOSTON -- DURING THE PAST FEW WEEKS, OPIC AND FIRST NATIONAL BANK OF BOSTON ("BANK") HAVE BEEN DISCUSSING A NUMBER OF DIFFERENT METHODS FOR STRUCTURING THE BANK'S INVESTMENT IN URUGUAY SO AS TO UNCLASSIFIED

PAGE 02 STATE 159418

SATISFY THE REQUIREMENTS OF THE BANK, THE GOU, U.S. BANKING AUTHORITIES, AND OPIC. TENTATIVE PLAN IS THAT THE BANK WILL INVEST 1.5 MILLION DOLLARS IN THE EQUITY OF A URUGUAYAN SUBSIDIARY AND WILL SERVE AS THE LEAD BANK IN A

FIVE YEAR 20 MILLION DOLLAR CONSORTIUM LOAN TO THE SAME SUBSIDIARY. THE CONSORTIUM MAY BE COMPRISED EITHER TOTALLY OF AMERICAN BANKS OR PARTIALLY OF AMERICAN AND PARTIALLY OF FOREIGN BANKS (PRINCIPALLY THE ROYAL BANK OF CANADA). THE BANK'S URUGUAYAN SUBSIDIARY WILL THEN LOAN 20 MILLION DOLLARS TO THE GOVERNMENT IN TWO 10 MILLION DOLLAR SEGMENTS. THE FIRST 10 MILLION DOLLAR SEGMENT WILL BE A 5 YEAR TERM LOAN WITH A 3 YEAR GRACE PERIOD AND SEMI-ANNUAL PAYMENTS UNTIL THE END OF THE FIFTH YEAR WHEN THE REMAINING WILL BE REPAID IN A LUMP SUM TO THE BANK'S URUGUAYAN SUBSIDIARY. THE SECOND 10 MILLION DOLLAR SEGMENT WILL BE PLACED WITH THE GOU ON A DEMAND BASIS, AND WILL BE WITHDRAWN FROM THE GOU BY THE SUBSIDIARY AS IT IS ABLE TO PLACE THESE FUNDS IN PRIVATE SECTOR BANKING ACTIVITIES, WHICH IT WILL SEEK OUT ON A BEST EFFORTS' BASIS.

3. THE BANK IS SEEKING CONVERTIBILITY AND EXPROPRIATION COVERAGE ON ITS EQUITY CONTRIBUTION BUT ONLY CONVERTIBILITY COVERAGE FOR THE CONSORTIUM LOAN. HOWEVER, IF THE PRIVATE SECTOR BUSINESS DEVELOPS AS THE BANK EXPECTS, THAT PORTION OF THE CONSORTIUM LOAN WHICH IS PLACED IN THE PRIVATE SECTOR (UP TO 10 MILLION DOLLARS) WILL BE PAID OFF BY THE BANK (BOSTON OFFICE) IN THE U.S. SO AS TO INCREASE THE BANK'S OWN INVESTMENT IN ITS SUBSIDIARY AND BANK WILL WISH BOTH CONVERTIBILITY AND EXPROPRIATION ON THIS COVERAGE, SINCE THIS INCREASED INVESTMENT WOULD REMAIN IN THE SUBSIDIARY LONGER THAN THE 5 YEAR TERM CONTEMPLATED FOR THE CONSORTIUM LOAN. OPIC IS INTERESTED IN INSURING BOTH THE BANK'S 1.5 MILLION DOLLAR EQUITY CONTRIBUTION TO ITS URUGUAYAN SUBSIDIARY AND THE AMERICAN PORTION OF THE CONSORTIUM LOAN TO THE SUBSIDIARY. OPIC WILL NOT REPEAT NOT INSURE THE LOANS BY THE SUBSIDIARY TO EITHER THE GOU OR THE PRIVATE SECTOR.

4. SINCE OPIC PREVIOUSLY UNDERSTOOD THAT THE BANK WOULD NEED SOME SORT OF PROTECTION AS OF JUNE 30, IT WAS
UNCLASSIFIED

PAGE 03 STATE 159418

CONSIDERING OBTAINING AN AD HOC APPROVAL BY THE GOU PRIOR TO SIGNING A FORMAL BILATERAL AGREEMENT FOR THE INSTITUTION OF THE OPIC PROGRAMS. BEFORE RAISING THIS POSSIBILITY WITH THE DEPARTMENT, OPIC WAS ADVISED THAT THE BANK WILL NOT NEED ITS INSURANCE CONTRACT UNTIL MID SEPTEMBER, ACCORDING TO THE LETTER OF INTENT WHICH IT HAS DRAFTED FOR JUNE 30 DELIVERY TO THE GOU. CONSEQUENTLY, THE "AD HOC" ROUTE IS NOT BEING GIVEN FURTHER CONSIDERATION. RATHER WE HOPE THAT THE BANK'S DEADLINE WILL PROVIDE AN INCENTIVE FOR THE GOU TO SIGN AN AGREEMENT WITH US PRIOR TO THAT DATE.

AS IS OPIC'S USUAL PROCEDURE, NO INSURANCE CONTRACT WILL

BE ISSUED UNLESS GOU GIVES ITS PRIOR WRITTEN CONSENT
FOR ISSUANCE OF COVERAGE FOR THE BANK'S EQUITY INVEST-
MENT IN AND THE CONSORTIUM LOAN TO THE BANK'S
SUBSIDIARY.

KISSINGER

UNCLASSIFIED

<< END OF DOCUMENT >>

Message Attributes

Automatic Decaptioning: X
Capture Date: 26 AUG 1999
Channel Indicators: n/a
Current Classification: UNCLASSIFIED
Concepts: INSTRUCTIONS, INVESTMENT GUARANTEES
Control Number: n/a
Copy: SINGLE
Draft Date: 07 JUL 1975
Decaption Date: 01 JAN 1960
Decaption Note:
Disposition Action: n/a
Disposition Approved on Date:
Disposition Authority: n/a
Disposition Case Number: n/a
Disposition Comment:
Disposition Date: 01 JAN 1960
Disposition Event:
Disposition History: n/a
Disposition Reason:
Disposition Remarks:
Document Number: 1975STATE159418
Document Source: ADS
Document Unique ID: 00
Drafter: OPIC/ID/LA:BT MANSBACH:DH
Enclosure: n/a
Executive Order: N/A
Errors: n/a
Film Number: D750234-0861
From: STATE
Handling Restrictions: n/a
Image Path:
ISecure: 1
Legacy Key: link1975/newtext/t197507104/baaaaoos.tel
Line Count: 117
Locator: TEXT ON-LINE, TEXT ON MICROFILM
Office: ORIGIN OPIC
Original Classification: UNCLASSIFIED
Original Handling Restrictions: n/a
Original Previous Classification: n/a
Original Previous Handling Restrictions: n/a
Page Count: 3
Previous Channel Indicators:
Previous Classification: n/a
Previous Handling Restrictions: n/a
Reference: n/a
Review Action: RELEASED, APPROVED
Review Authority: ShawDG
Review Comment: n/a
Review Content Flags:
Review Date: 05 MAR 2003
Review Event:
Review Exemptions: n/a
Review History: RELEASED <05 MAR 2003 by ThomasVJ>; APPROVED <17 MAR 2004 by ShawDG>
Review Markings:

Margaret P. Grafeld
Declassified/Released
US Department of State
EO Systematic Review
06 JUL 2006

Review Media Identifier:
Review Referrals: n/a
Review Release Date: n/a
Review Release Event: n/a
Review Transfer Date:
Review Withdrawn Fields: n/a
Secure: OPEN
Status: NATIVE
Subject: n/a
TAGS: EINV, BBAK, HA, UY, OPIC, EAGLE LOCK CO, BANK OF BOSTON
To: MONTEVIDEO
Type: TE
Markings: Margaret P. Grafeld Declassified/Released US Department of State EO Systematic Review 06 JUL 2006